

John J. Gallagher

Attorney at Law

711 Forrest Road, Harrisburg, PA 17112

Tel. (717) 599-5839

✉ jgallagher@jglawpa.com

March 2, 2015

RECEIVED
2015 MAR -2 PM 2:11
PA PUC
SECRETARY'S BUREAU

VIA HAND DELIVERY

Honorable Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

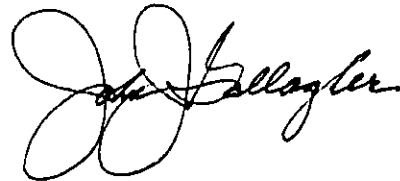
**Re: Re: Petition of Pike County Light & Power Company
For Authority to Defer for Accounting and Financial Reporting
Purposes Certain Losses From Extraordinary Storm Damage and to
Amortize Such Losses**

Dear Secretary Chiavetta:

Pursuant to Section 5.41 of the Commission's Regulations, 52 Pa. Code § 5.41 please find enclosed, on behalf of Pike County Light & Power Company ("Pike") a Petition to Defer certain losses from extraordinary storm losses.

Should you have any questions concerning this filing please contact me at your convenience.

Sincerely,



John J. Gallagher

cc:
Certificate of Service

RECEIVED

2015 MAR -2 PM 2:12

PA PUC
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light & Power :
Company for Authority to Defer for :
Accounting and Financial Reporting :
Purposes Certain Losses From : Docket No. P- _____
Extraordinary Storm Damage and to :
Amortize Such Losses. :
:

PETITION OF PIKE COUNTY LIGHT & POWER COMPANY

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

A. INTRODUCTION

1. Pike County Light & Power Company ("PCL&P" or the "Company") hereby petitions the Pennsylvania Public Utility Commission ("Commission"), pursuant to Section 5.41 of the Commission's Regulations, 52 Pa. Code §5.41, for permission to defer for accounting and financial reporting purposes extraordinary losses that were caused by Winter Storm Cato and to amortize such losses commencing upon the effective date of changes in rates pursuant to the Commission's final order in PCL&P's next general rate increase proceeding pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. §1308(d). PCL&P is not requesting that the Commission decide the ratemaking treatment of such losses at this time. Rather, PCL&P proposes that the Commission address the applicable ratemaking issues in PCL&P's next general rate increase proceeding.

B. BACKGROUND

2. PCL&P is an electric distribution company, as that term is defined in Section 2803 of the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2803. PCL&P furnishes electric distribution, transmission and provider of last resort services to

approximately 4,500 customers in a certificated service territory which includes the Boroughs of Milford and Matamoras, in northeastern Pennsylvania.¹

3. PCL&P maintains an office at:

105 Schneider Lane
Milford, PA 18337

4. Through this Petition, PCL&P seeks permission from the Commission to defer losses, for accounting and financial reporting purposes, of primarily operation and maintenance expenses,² arising from severe storm damage, and to amortize such losses commencing on the date when rates are changed pursuant to the Commission's final order in PCL&P's next general rate increase proceeding pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d). The losses that PCL&P seeks to defer and amortize include expenses PCL&P incurred in preparing to respond to the damage from Winter Storm Cato, restoring service to customers, assisting customers during the service interruptions and repairing facilities damaged by Winter Storm Cato.

C. DEFERRAL OF EXTRAORDINARY LOSSES

5. In the past, the Commission has on numerous occasions allowed public utilities to defer extraordinary costs for accounting and financial reporting purposes. Perhaps most relevant is the Commission's Order authorizing PCL&P to defer certain unanticipated expenses associated with storm damage caused by Super Storm Sandy, *Petition of Pike County Light & Power*, Docket No. P-2013-2347108 (July 16, 2013). In authorizing such deferral, the Commission noted (Order, p. 4) that in ruling on PCL&P's Petition, the Commission is not

¹ PCL&P, along with Orange and Rockland Utilities, Inc. in New York and Rockland Electric Company in New Jersey together comprise the Orange and Rockland System.

² PCL&P seeks to defer also a smaller amount of associated incremental customer, administrative, and general expenses.

required to decide either whether the expenses are extraordinary or whether the expenses were reasonably and prudently incurred. Rather, the standard which a utility must meet when seeking Commission authorization for deferral accounting is whether, based on Commission precedent, the expense item appears to be within the scope of the type of items that the Commission has allowed as an exception to the general rule against retroactive recovery of past expenses. The Commission determined that PCL&P had met this standard.

6. Other examples of such deferrals include: *Pa. P.U.C. v. Pennsylvania Power & Light Co.*, Docket No. P-00920635 (May 6, 1993) (The Commission allowed Pennsylvania Power & Light Company to defer transition costs under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 106 (“SFAS 106”));³ *Petition of Pennsylvania Power & Light Co.*, Docket No. P-820367 (July 29, 1982) and *Petition of Pennsylvania Power & Light Co.*, Docket No. P-830461 (November 9, 1983) (Pennsylvania Power & Light Company obtained permission to defer operation and maintenance expenses incurred between the dates that its Susquehanna 1 and Susquehanna 2 nuclear generating units went into service and the date when such expenses were recognized in rates.); *Petition of Mechanicsburg Water Co.*, Docket No. P-910500 (September 25, 1991) (Commission granted authority to defer for accounting purposes capital and other costs associated with the Yellow Breeches Water Treatment Plant expansion; the Commission approved Mechanicsburg’s deferral petition but explained that cost recovery would be decided in the first rate case filed after the Yellow Breeches Plant expansion became operational.); *Petition of Pennsylvania Gas & Water Co.* Docket No. Docket No. P-900454 (September 5, 1990) (The Commission approved Pennsylvania Gas & Water Co.’s

³ The Office of Consumer Advocate (“OCA”) appealed this decision, and the Commonwealth Court reversed the Commission with regard to the approval of recovery of costs outside of a rate proceeding. The Commonwealth Court did not reverse the decision with regard to the deferral of the SFAS 106 expenses. *Popowsky v. Pa. P.U.C.*, 164 Pa. Cmwlth. 338, 348, 642 A.2d 648, 653 (1994).

(“PG&W”) petition to defer costs of four water treatment plants that were nearing completion.);⁴ and *Petition of Pennsylvania Gas & Water Co.*, Docket No. P-920586, 1992 Pa. PUC LEXIS 126 (October 21, 1992) (The Commission approved for accounting purposes deferral of the costs of PG&W’s Crystal Lake Water Treatment Plant.).

See also *Petition of Philadelphia Electric Co.*, 58 Pa. PUC 522, Docket No. P-840514 (September 28, 1983) (Deferral of the costs of Limerick 1 Generating Station); *Petition of Philadelphia Electric Co.*, 69 Pa. PUC 481, 103 P.U.R. 4th 430 (May 3, 1989) (Deferral of costs of the Limerick 2 Generating Station); *Pa. P.U.C. v. Consumers Pennsylvania Water Co. – Roaring Creek Division*, Docket No. R-932655 (February 3, 1994) (Deferral of SFAS 106 costs); *Petition of Citizens Utilities Water Company of Pa.*, Docket No. P-00930746 (February 25, 1994) (Deferral of SFAS 106 costs).

7. The Commission authorized PPL Electric Utilities Corporation to defer and amortize, for financial and accounting purposes, storm damage costs caused by Hurricane Isabel in September 2003. *Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes Certain Losses from Extraordinary Storm Damage and to Amortize such Losses*, Docket No. P-00032069 (January 16, 2004).

8. The Commission has specifically recognized storm damage as an extraordinary item and has approved amortization of storm damage expense in rates. See, *e.g.*, *Pa. P.U.C. v. The Bell Telephone Co.*, 55 Pa. PUC 97, 109-10 (1981) (hurricane); *Pa. P.U.C. v. Pennsylvania Gas & Electric Co.*, 55 Pa. PUC 204 (1983) (freezing); *Pa. P.U.C. v. Pennsylvania Gas & Water Co.*, 52 Pa. PUC 77 (1978) (flood); *Pa. P.U.C. v. PPL Electric Utilities Corp.*, Docket No. R-00049255 (December 22, 2004) (hurricane).

⁴ In PG&W’s next base rate case, the Commission allowed PG&W to recover these costs. *Pa. P.U.C. v. Pennsylvania Gas & Water Co.*, 1993 Pa. PUC LEXIS 61 (June 23, 1993).

D. WINTER STORM CATO

9. Winter Storm Cato was a winter storm consisting of a mix of snow and rain generated by the storm that impacted the Company's service territory as it moved up the Eastern Seaboard. Winter Storm Cato disrupted electric service to approximately 400,000 people in the Northeastern United States.

10. Winter Storm Cato approached the PCL&P service territory during the morning of November 26, 2014. At approximately 9:00 a.m. the winter storm, starting as rain and turning to heavy wet snow, entered PCL&P'S service territory. The snow continued until approximately 1:00 p.m. on November 27, 2014 (Thanksgiving Day). The heavy snow caused trees and tree limbs to break and sag bringing down primary and secondary wire. 99% of PCL&P's 4,525 customers experienced a loss of electricity. Electric service was restored to 98% of PCL&P customers by 7a.m., Thursday, November 27, 2014.

11. The wet, heavy, snow blanketed PCL&P'S service territory with between six and eight inches of coverage. The weight of the snow proved to be too much for many of the trees to support resulting in broken limbs and sagging branches that fell on power lines, severely damaging PCL&P's overhead electric distribution system. These conditions resulted in multiple faults on each of the circuits which serve the PCL&P service territory. Throughout the Orange and Rockland System there were twelve utility poles which required replacement, thirty-overhead distribution transformers damaged and replaced, and numerous spans of overhead wire which required repair or replacement.⁵

⁵ Store room items are distributed and assigned on an Orange and Rockland System basis. The Company does not track how many utility poles, transformers and spans of wire line crews were replaced specifically in PCL&P.

E. PCL&P'S RESPONSE

12. In order to restore service, the Orange and Rockland System mobilized a workforce of roughly 550 employees. In addition, approximately 355 contractor field personnel most of whom worked at a minimum 12 hour shifts for the three day duration of the event, also assisted in the Company's restoration efforts.⁶ The Orange and Rockland System did not request any mutual aid assistance.

13. PCL&P's customer call performance is tracked as part of the Orange and Rockland System rather than on a PCL&P stand-alone basis. During the Winter Storm Cato event, the Orange and Rockland System received approximately 295,000 outage and hazard calls. The average answer time for calls answered by the Company's automated answering system was within two seconds and the average answer time for calls answered by live agents was nine seconds.

14. Orange and Rockland contracts with a third-party vendor, Twenty First Century Communications ("TFCC"), to provide a call handling solution for high call volume resulting from major storms or other emergency events. Orange and Rockland began routing all calls coming into its toll-free number to TFCC's service on October 28, 2012. The calls were answered by TFCC's interactive voice responsive platform where customers received a recorded message with information about the storm. Customers who did not utilize the automated system were either routed to an Orange and Rockland System customer service representative or the Company's contracted supplemental customer service representative workforce at West Asset Management, Inc.

F. COSTS

⁶ Line crews are organized and assigned on an Orange and Rockland System basis. The Company does not track how many line crews were assigned specifically to PCL&P.

15. Based on Commission precedent, PCL&P will exclude all straight time wages and benefits from the expenses it seeks to defer. *See Pa. P.U.C. v. PPL Electric Rate Order*, Docket No. R-00049255, pp. 29-30 (December 22, 2004).

16. Due to the significant widespread and extensive damage to the Company's electric system and the amount of internal and external resources required for rebuilding and restoring of the overhead electrical distribution system, PCL&P is currently estimating the total operating and maintenance expenses incurred is approximately \$190,000 as shown in Exhibit I.

17. PCL&P also estimates it incurred approximately \$27,000 of capital expenditures as a result of the comprehensive physical damage sustained by the electrical distribution system as shown in Exhibit I.

18. PCL&P continues to review and authenticate the numerous bills and invoices received as a result of Winter Storm Cato. This Petition represents the Company's best estimate of the expenses incurred up to the filing of this Petition, but PCL&P herein seeks approval to defer and amortize its actual storm damage expenses, excluding straight time wages and benefits.

19. As noted in the previous paragraph, PCL&P incurred approximately \$27,000 of capital expenditures during service restoration efforts. PCL&P is not seeking to defer or amortize the portion of its storm damage expenditures that are being capitalized.

G. RATE RECOVERY

20. It must be emphasized that, as with the Company's Hurricane Irene and Super Storm Sandy deferral petitions, PCL&P is not requesting that the Commission decide, at this time, whether PCL&P's deferred losses from Winter Storm Cato are recoverable through rates charged to customers. PCL&P is requesting permission to defer those losses on its books of account pending such determination in its next base rate proceeding. Although PCL&P believes

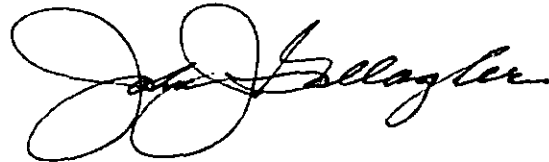
that such costs are properly recoverable from customers, it proposes that such issues be decided in PCL&P's next general rate increase proceeding pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. §1308(d). PCL&P also proposes that the length of the amortization of the storm costs be determined by the Commission in that proceeding.

21. PCL&P understands that, in its next general rate increase proceeding, other parties will be permitted to oppose PCL&P's claim for recovery of deferred losses caused by Winter Storm Cato for any reason except that PCL&P should have filed a petition to defer those losses on its books of account.

H. CONCLUSION

WHEREFORE, for all the foregoing reasons, PCL&P respectfully requests that the Pennsylvania Public Utility Commission grant this Petition and authorize PCL&P to defer, for accounting and financial reporting purposes, actual losses caused by Winter Storm Cato.

Respectfully submitted,



John J. Gallagher, Esq.
711 Forrest Road
Harrisburg, PA 17112
Voice 717.599.5839
E-mail: jgallagher@jglawpa.com

RECEIVED
2015 MAR -2 PM 2:12
PA PUC
SECRETARY'S BUREAU

Date: February __, 2015

Attorney for Pike County Light & Power
Company

EXHIBIT I

O&M Expenditure Type	Actual Dollars
Field Services	177,098.09
Meals & Food Service	1,073.07
Labor	11,643.29
	<hr/>
	189,814.45

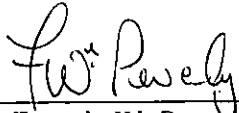
Capital Expenditure Type	Actual Dollars
Pole Replacement	3,199.00
Overhead Transformers	4,608.00
Span of Wire	17,076.00
Span of Service Wire	2,003.00
	<hr/>
	26,886.00

RECEIVED
MAR 2 2015
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VERIFICATION

I, Francis W. Peverly, Vice President – Operations of Pike County Light & Power Company, hereby state that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to sworn falsification to authorities).



Francis W. Peverly
Vice President – Operations
Pike County Light & Power Company

Date: February 25, 2015

RECEIVED
2015 MAR -2 PM 2:12
PA PUC
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

VIA HAND DELIVERY

Tanya McCloskey, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101- 1923

Johnnie E. Simms, Esquire
Bureau of Investigation and Enforcement
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Mr. John R. Evans
Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 202
300 N. Second Street
Harrisburg, PA 17101



Dated: March 2, 2015

John J. Gallagher, Esquire
711 Forrest Road
Harrisburg, PA 17112

Counsel for Pike County Light & Power
Company

SECRETARY'S BUREAU
PA PUC

2015 MAR -2 PM 2:11

RECEIVED